Personal Taxpayer Series
CGT 1

Capital gains tax

An introduction

This booklet sets out the basic rules of capital gains tax (CGT) for individuals.

This is a general guide for people who need information about CGT. It will also be useful if you have disposed of assets and need to know whether to report any gains or losses to your Tax Office. It does not cover the more complex situations. If you need more information you can ask for the relevant Helpsheet, or look at the Inland Revenue guidance manual on CGT at your Tax Enquiry Centre or Tax Office.

The booklet is divided into seven sections, as follows

Section 1: An Introduction to CGT. This gives a broad outline of what the tax is about and whom it affects.
Section 2: Chargeable gains. This explains when a chargeable gain arises, what a disposal is and which assets may give rise to a charge.
Section 3: Allowable losses. This explains when a loss may arise, when it has to be claimed and how it is allowed.
Section 4: Calculating chargeable gains and allowable losses. This tells you how to calculate your chargeable gains and allowable losses and what expenditure you can deduct in doing so.
Section 5: Reliefs (other than taper relief). This explains various reliefs which are available to reduce or defer chargeable gains.
Section 6: Taper relief. This explains how gains may be reduced to take account of the length of time the asset has been held.
Section 7: Calculating the tax due. This sets out the basic rules for calculating the final amount on which CGT is due, and the tax payable.

Section 1 *An Introduction To CGT*

A charge to CGT may arise when you dispose of an asset which is worth more than it was worth when you acquired it. You are liable to pay tax on the total gains which arise on disposals you make (after various reliefs have been given) in any one tax year. A tax year is the year beginning on 6 April in one calendar year and ending on 5 April in the next. A gain is based on the difference between the cost of acquisition, and the amount received on disposal.

Tax is not due on the price received for the asset, but may be due on any increase in its value while you have owned it.

Who pays CGT?

You are liable to pay CGT on your gains if you are 'resident' or 'ordinarily resident', **and** 'domiciled' in the UK (these terms are explained in our guide IR20 'Residents and non-residents'. If you are not sure about them, ask your tax adviser or Tax Enquiry Centre or Tax Office for help).

If you are neither resident nor ordinarily resident in the UK, you are liable to tax on gains made from

- assets of any branch or agency in the UK through which you are trading or carrying on a profession or vocation;

- assets acquired while you were resident or ordinarily resident in the UK and disposed of during a period of temporary residence abroad - a period abroad of less than five full tax years. These gains are deemed to be gains of the tax year in which you resume residence in the UK.

If you are resident or ordinarily resident but not domiciled in the UK, and the asset which you have disposed of is situated outside the UK, you pay tax on that gain **only** when it is remitted to the UK.

Reporting gains or losses

If you make 'net gains' in a tax year which exceed the 'annual exempt amount' you must inform your Tax Office. Your 'net gains' are the total of your 'chargeable gains' (computed after deducting any relief for inflation due up to April 1998 - the 'indexation allowance') less - any 'allowable losses' and any 'taper relief'. Please note that losses arising for 1996-97 and later years are not 'allowable' unless you claim them (see below). If you have not received a tax return, you must report the net gains within six months from the end of the year in which the gains arose, otherwise you may become liable to interest and penalties.

If you receive a tax return, you must complete the section dealing with capital gains and give further details of the gains or losses on the capital gains pages where directed to do so. The tax return must be returned to your Tax Office by the date indicated on it.

You do not have to report a capital loss unless you wish to claim relief for the loss so that it can be set off against capital gains of the year in which you made the loss or a later year (see Section 3 'Allowable losses'). You can claim a capital loss in two ways

- on the capital gains pages of your tax return if you otherwise need to make one, or

- by sending your Tax Office a separate notice of the amount of the loss.

Annual exempt amount

Every individual may make a certain amount of gains each year before any tax is due. This is called the 'annual exempt amount'. For 1998-99 the annual exempt amount is £6,800. Each member of a married couple is entitled to a separate annual exempt amount. The annual exempt amount is allowed against the amount of 'net gains' which results from deducting any losses and taper relief. If your net gains of the year, are **less** than the annual exempt amount for that year, you will not have to pay any tax. If they are **more**, the excess will be charged to tax. More detailed guidance on how to work out the amount on which you must pay CGT is given in Section 7.

Section 2 Chargeable Gains

A 'chargeable gain' is made when something you own (an asset) is wholly or partly disposed of (or treated as disposed of), **and**

- its value has increased since you acquired it, or since 31 March 1982 if that is later, **or**
- the proceeds from the disposal are greater than the amount for which you are deemed to have acquired the asset.

You may also be treated as making a chargeable gain in other circumstances. The commonest examples are explained later in this booklet.

A sum of money or an asset that is taken into account as part of your taxable income for income tax purposes will not also be taken into account for CGT.

Assets

Any form of property may be an asset for CGT purposes. Common assets include

- stocks and shares
- land and buildings
- business assets, such as goodwill.

Exempt assets

The disposal of some assets, and/or the receipt of some amounts of money, are exempt from CGT, for example

- private cars
- personal effects and goods worth £6,000 or less when disposed of - see Help Sheet IR293: Chattels and Capital Gains Tax.
- Savings Certificates, Premium Bonds and British Savings Bonds
- gains made within a Personal Equity Plan (PEP) or Individual Savings Account (ISA)
- bonuses from tax exempt special savings accounts (TESSAs)
- UK Government stocks (gilts)
- personal injury compensation
- foreign currency for your or your family's personal use
- life assurance policies and deferred annuity contracts, unless purchased from a third party
- betting, lottery or pools winnings
- Save As You Earn (SAYE) terminal bonuses
- compensation for mis-sold personal pensions taken out as a result of disadvantageous advice given between 29 April 1988 and 30 June 1994.

In most cases tax is not due on any gain made when you dispose of your home. See the notes on page 17 dealing with the disposal of your home.

Disposals

A disposal occurs when you

- sell, **or**
- give away, **or**
- exchange an asset, **or**
- receive a capital sum from ownership of an asset (a capital sum is a sum that does not form part of your taxable income).

What about transfers to spouses?

If you dispose of an asset to your husband or wife you do not pay CGT if you are living together. The asset is treated as having been disposed of for an amount that is enough to ensure that you make neither a gain nor a loss. Your husband or wife will pay tax on any gain he or she makes when disposing of the asset to a third party. In such a case, the asset will normally be treated as having been acquired for the original cost to the transferring partner, plus any 'indexation allowance' up to April 1998 - see Appendix 2. For 'taper relief' purposes you add together both spouses' periods of ownership after 5 April 1998. See Section 5 'Transfers to spouses'. Ask for Help Sheet IR281: Husband and wife, divorce and separation, if you want more information.

Small receipts

In some cases, an amount received in respect of an asset, which would otherwise be treated as a part disposal of the asset, may not be treated as a disposal if the amount is small compared to the value of the asset.

Your Tax Enquiry Centre or Tax Office will be able to provide you with further details of the circumstances in which this treatment is accepted by the Inland Revenue.

Payments by building societies or insurance companies when they become limited companies

If you receive a cash payment when a building society or insurance company converts from a mutual body into a public limited company or when it is taken over by such a company there may be a liability to CGT.

If you receive shares, there may be no chargeable gain on receipt of the shares, but in that case the shares will have no allowable acquisition cost on any later sale.

If you need more help, ask your Tax Enquiry Centre, Tax Office or tax adviser.

Other disposals

In some circumstances, tax may be due on gains made by a company or a trust in which you have an interest. This includes gains made by

- certain types of company not resident in the UK and in which you are a participator
- a trust not resident in the UK, the gains of which are attributed to you because you have received capital payments
- a trust not resident in the UK of which you are a settlor (a person who puts property into the trust) and from which you, or certain persons close to you, can benefit
- a trust resident in the UK of which you are a settlor and from which you or your spouse can benefit.

Any disposal made by your nominee, or by a person who is a bare trustee in relation to assets to which you are absolutely entitled, will be treated as **your** disposal.

You may be treated as making a disposal if you claim that an asset you own has become of negligible value. This may create a loss that can be set against other gains.

Some events do not result in a charge to CGT. For example, there is no charge when somebody dies and his or her assets pass to personal representatives.

There may also be no charge when shares are exchanged for other shares on a company takeover or in a company reconstruction or amalgamation. (See Help Sheet IR 285: Share reorganisations, company takeovers and Capital Gains Tax).

Section 3 Allowable Losses

Relief may be available when you dispose of something which has fallen in value since you acquired it. Losses which arise in this way may be set against any gains on which you would otherwise be liable to pay tax. The position is different if the loss arises on a disposal to a connected person (see *'Who are connected persons?'* in Section 4). If the disposal is to a company other restrictions may apply. Ask your Tax Office for help.

If a gain on the disposal of an asset would be exempt from CGT, any loss made on that asset will not be an allowable loss.

Do losses have to be claimed?

A loss made in 1996-97 or a later year must be **claimed**. These losses are not 'allowable losses' until notice of the amount of the loss has been given to your Tax Inspector.

Losses for 1995-96 and earlier years cannot be formally agreed until there are gains against which those losses can be set.

There is no time limit within which losses of any year must be used.

Is there a time limit for claiming losses?

Allowable losses for 1996-97 and later years have to be **claimed** within five years and ten months of the end of the tax year in which they were made. This applies whether the losses are used in that period or not.

How is a loss allowed?

The total allowable losses of a tax year are deducted, first, from the total chargeable gains (before taper relief, see Section 6) for the same year. If the allowable losses for the year are **greater** than the untapered chargeable gains for the year, the excess may be carried forward to be set against gains made in **future** years.

You must use up allowable losses of the year against untapered chargeable gains of the same year even if this reduces the total gains to below the level of the annual exempt amount.

Losses brought forward from 1996-97 or later must be used before losses brought forward from earlier years. When losses brought forward are set against chargeable gains of a later year, you use only enough losses to reduce the chargeable gains (i.e. the gains before taper relief) to the level of the annual exempt amount.

Example 1
In 1998-99 you have untapered chargeable gains of £12,000 and allowable losses of the year of £10,000.
The annual exempt amount is £6,800.
As the losses reduce the gains below the level of the annual exempt amount, you have no CGT to pay for that year. There are no losses to be carried forward.

Example 2
In 1998-99 you have untapered chargeable gains of £12,000 and allowable losses of the year of £15,000.
The annual exempt amount is £6,800
As the losses extinguish all gains for the year you have no CGT to pay.
Losses of £3,000 may be carried forward to use in later years.

Example 3
In the year 1998-99 you have untapered chargeable gains of £12,000, allowable losses of the year of £3,000, and losses of £8,000 brought forward from 1996-97.
The annual exempt amount is £6,800.
The losses of the year reduce the gains to £9,000. You then use £2,200 of the losses brought forward to reduce the gains down to the level of the annual exempt amount. You have no CGT to pay for that year and losses of £5,800 (£8,000 less £2,200) may be carried forward to use in later years.

See Section 7 for an explanation of how CGT is computed where losses are not sufficient to reduce untapered gains below the level of the annual exempt amount.

Carry back of losses

When a person has died, personal representatives can claim for any losses arising in the tax year (that is, from the preceding 6 April) up to the date of death to be carried back and set against chargeable gains of the three preceding tax years. Losses carried back in this way are allowed in exactly the same way as losses carried forward from one year to another. See Help Sheet IR282: Death, personal representatives and legatees.

Can losses be set against income?

With one exception, losses arising on the disposal of assets chargeable to CGT are only allowable against gains on such assets and may not be deducted from income. The one exception is where the loss arises on shares you have **subscribed for** (that is, newly issued shares) in an unlisted trading company. The circumstances in which such relief is available are explained in Help Sheet IR286: Income tax losses for shares you have subscribed for in unlisted trading companies, and for Enterprise Investment Scheme companies, in booklet IR137: The Enterprise Investment Scheme.

Are there any gains against which you cannot set capital losses?

You cannot set your personal allowable losses against gains which are 'attributed' to you as the settlor of a UK trust or as the settlor or beneficiary of a non-resident trust. This is because the gains will be attributed to you after taper relief has been given. Losses may be set only against untapered gains. Different computational rules therefore apply where attributed gains are involved. Ask your Tax Enquiry Centre, Tax Office or tax adviser for help.

Section 4 Calculating Chargeable Gains And Allowable Losses

How do you compute the gain or loss?

To calculate the 'chargeable gain' or the 'allowable loss' made on the disposal of an asset, you deduct

- the allowable costs, and
- the indexation allowance up to April 1998 where the asset was acquired before that month (see Appendix 2)

from the disposal proceeds.

However, it should be noted that the indexation allowance cannot be used to create or increase a loss (see Appendix 2 on page 32).

Chargeable gains may also be reduced further by taper relief. This section explains the computation of the gain before taper relief.

A simple calculation

At its simplest, a calculation of a chargeable gain will use the format below. The terms used will be explained in the following pages.

Disposal proceeds			£25,000
minus	Incidental disposal costs	£1,200	
minus	(a) Cost of acquisition	£8,000	
minus	(b) Incidental costs of acquisition	£900	
minus	(c) Enhancement costs	£4,000	£14,100
	Gain before indexation		£10,900
minus	Indexation allowance on a, b and c (for periods to April 1998 only)		£3,250
equals	Chargeable gain		£7,650

What are disposal proceeds?

In most cases, these are the total amount of proceeds received, including

- cash payable now or in the future
- the value of any asset received in exchange for the asset disposed of
- the value of a right to receive future payments.

In some cases, however, the amount received is replaced by the 'market value' of the asset disposed of (see *'What is meant by market value?'* on page 14). Market value applies where the disposal is, for example

- to a 'connected person' (see page 15, **or**
- otherwise than by a bargain made at arm's length, for example gifts or sales where the price is intentionally below market value, **or**
- wholly or partly for a consideration that cannot be valued.

A disposal which is 'otherwise than by a bargain made at arm's length' is a disposal in which one of the parties intends to give a free benefit to the other.

Example 4
You sell land worth £40,000 to a friend for £25,000 as a token of friendship. The disposal proceeds for CGT are £40,000.

What costs can be deducted?

In working out a gain, four types of expenses can be deducted. These are

- acquisition costs
- enhancement costs
- incidental costs of acquisition and disposal
- expenditure on defending or establishing a right over the asset.

Expenses deducted must be expenditure on the asset disposed of. These must not be expenses which can be claimed against income. The cost of normal maintenance and repairs, or payments of interest, cannot be claimed.

The expenses allowable may be reduced if the asset sold is a 'wasting asset'. See *"What is a wasting asset?"* on page 15.

If only part of an asset is disposed of, only part of the expenditure on that asset can be deducted. See *"What are part disposals?"* on page 16 for more details.

What are acquisition costs?

These are costs wholly and exclusively incurred in acquiring the asset. In some circumstances, for example where the asset is acquired by way of a gift, the costs incurred may be replaced by the market value of the asset when it was acquired.

If the asset is one that you created yourself (for example, a copyright or the goodwill of a business), any capital expenditure incurred wholly and exclusively in creating the asset can be deducted.

If the asset was held at 31 March 1982,' rebasing' will apply and the calculation is based on the value at 31 March 1982, unless the comparison calculation described in the section headed *'What is rebasing?'* applies.

If you
- inherit an asset, **or**
- have become absolutely entitled to settled property

you are treated as acquiring it at its market value at the date of death (or exceptionally the date on which the personal representative of the deceased acquired it) or the date on which you became absolutely entitled, and not on the date on which you actually acquired it.

What is the acquisition cost of shares?

Generally this will be the amount you paid for the actual shares or securities.

However, special rules apply where shares or securities of the same class in the same company have been acquired on separate occasions. These rules also apply to units in a unit trust. They are needed to tell you which shares or units you have sold (if you have not sold them all) and what acquisition costs to take into account in computing chargeable gains or allowable losses. Shares acquired on more than one occasion before 6 April 1998 will normally need to be 'pooled' and an average acquisition cost used. The 'identification' rules, and 'pooling' rules, together with the rules for computing any indexation allowance, are explained more fully in Help Sheet IR284 Shares and Capital Gains Tax.

Where shares of the same type have been acquired on separate occasions you cannot choose for yourself which shares have been sold for CGT purposes. You have to follow the identification rules set out below.

You have to match disposals with acquisitions in the following order

- acquisitions on the same day as the disposal;
- acquisitions within 30 days immediately following the day of disposal;
- previous acquisitions after 5 April 1998, identifying the most recent acquisitions first;
- any shares acquired between 6 April 1982 and 5 April 1998 (these acquisitions are 'pooled' and an average acquisition cost used);
- any shares acquired after 6 April 1965 and held at 5 April 1982 (the cost price of these shares may be rebased to their value at 31 March 1982);
- any shares held on 6 April 1965 (the cost price of these shares may be rebased to their value at 31 March 1982).

The general rule is to work backwards, matching disposals with later acquisitions before earlier ones, except where shares are 'pooled'. However, you should note the requirement to match disposals with acquisitions made in the **30 days following** the day of disposal in priority to acquisitions made **before** the day of disposal. This rule is there to prevent a practice which commonly became known as 'bed and breakfasting' (i.e. selling shares one day and buying them back shortly afterwards, in order to create a gain or loss for CGT purposes while effectively continuing to hold the shares).

Example 5

You have bought and sold ordinary shares in the same company over a period as follows

1,000 shares acquired on 1 May 1998 at £5 per share.
1,000 shares acquired on 1 September 1998 at £6 per share.
1,000 shares acquired on 1 December 1998 at £5.50 per share.
1,500 shares sold on 1 June 1999 at £8 per share.

For CGT purposes, following the rule that the latest acquisitions are sold first, the cost of the 1,500 shares sold on 1 June 1999 is 1,000 at £5.50 per share and 500 at £6 per share.)

Example 6

You have bought and sold ordinary shares in the same company over a period as follows

1,000 shares acquired on 15 June 1996 at £2 per share.
1,000 shares acquired on 1 May 1998 at £5 per share.
1,000 shares sold on 1 September 1999 at £7 per share.
1,000 shares acquired on 2 September 1999 at £7.05 per share.
1,500 shares sold 1 September 2002 at £10 per share

For CGT purposes the acquisition cost of the 1,000 shares sold on 1 September 1999 is £7.05 per share. The shares sold are matched with those acquired on 2 September 1999 (within 30 days following the disposal). This disposal gives rise to a loss of £50 for CGT.

The acquisition cost of the 1500 shares sold on 1 September 2002 is 1,000 shares at £5 per share (the shares acquired on 1 May 1998) and 500 shares at £2 per share (the shares acquired on 15 June 1996), being the most recent acquisitions of shares which have not already been matched with other shares sold. This disposal gives rise to a gain of £9,000 before any indexation allowance or taper relief.

If you have obtained shares in connection with your employment, you might also want to look at Help Sheet IR287: Employee Share Schemes and Capital Gains Tax.

What are enhancement costs?

These are costs wholly and exclusively incurred for the purpose of enhancing the value of the asset, as long as that expenditure is still reflected in the state or nature of the asset at the date of sale.

What are incidental costs?

These are costs incurred wholly and exclusively on the acquisition or disposal of the asset, and which are either

- fees, commission or remuneration paid for professional advice, **or**
- the costs of transfer or conveyance.

Advertising costs to find a buyer or a seller can be deducted, as can the costs of any valuations or apportionments needed to work out the gain or loss on a disposal.

You cannot deduct any costs you incur in resolving any disagreement about your valuations with the Inland Revenue.

What is meant by market value?

In some cases the price paid when the asset was obtained, or the price received when it was disposed of, is replaced by the market value of the asset in working out any gain or loss. The market value is the price an asset might reasonably have been expected to fetch on the open market at the date of its acquisition or disposal.

If the asset disposed of was held at 31 March 1982, 'rebasing' will apply. If so, the price paid for the asset may be replaced in the calculation by the market value of the asset at 31 March 1982.

Valuations

If you use a valuation to work out any of your gains or losses, you can ask the Inland Revenue to check it for you. Appendix 1 on page 29 explains how.

Who are 'connected persons'?

If an asset is disposed of to a connected person, or an asset is acquired on a disposal by a connected person, the price paid or received is replaced by the market value of the asset in working out any gain or loss.

Examples of connected persons are

- your relatives or your husband's or wife's relatives
- your business partners, their husbands and wives and other relatives, except for genuine commercial acquisitions or disposals of partnership assets
- any company that you control, either by yourself or with any of the persons listed above
- the trustees of a settlement of which you are, or an individual who is still alive and who is connected with you is, a settlor.

A loss on the disposal of an asset to a connected person can be set only against gains made on disposals to that same person.

What is a wasting asset?

A wasting asset is one that had a predictable life of 50 years or less when it was acquired. All plant and machinery is treated as a wasting asset. If a wasting asset is disposed of, the allowable expenses are reduced to take account of the remaining predictable life of the asset.

See Help Sheet IR293: Chattels and Capital Gains Tax.

What is rebasing?

Rebasing ensures that only the amount of any gain or loss made since 31 March 1982 is charged to CGT. To achieve this, you can

- elect to have gains and losses on all assets you held at 31 March 1982 calculated by reference to their value at that time instead of by reference to their original cost. Such an election has to be made within two years of the first disposal of any asset held at 31 March 1982 and is irrevocable; **or**

- compare the calculation of the gain or loss on each asset by reference to its value at 31 March 1982 with the calculation based on its original cost, **and**
  - if there is a gain on both calculations the smaller gain is taxable,
  - if there is a loss on both calculations the smaller loss is allowable, **or**
  - if one calculation produces a loss, while the other produces a gain, the result will be treated as neither a gain nor a loss.

See Help Sheet IR280: Rebasing assets held at 31 March 1982.

What are 'part disposals'?

Where part of an asset has been disposed of, and part retained (or an interest in the asset retained), there are rules to allocate expenditure between the part sold and the part retained. These are

- expenditure which relates wholly to the part disposed of is deductible in full
- expenditure which relates wholly to the part retained is not deductible
- a proportion of expenditure which partly relates to the part sold is deductible (the proportion relating to the part retained is not).

The deductible proportion is calculated using the following fraction

$$\frac{\text{Disposal proceeds}}{\text{Disposal proceeds + Value of part retained.}}$$

If you use a valuation to work out any gain or loss on a part disposal you can ask the Inland Revenue to check it for you. Appendix 1 on page 29 explains how to use this service.

Indexation allowance

Indexation allowance is an allowance which adjusts gains for the effects of inflation. Finance Act 1998 froze the allowance at 5 April 1998. **It is therefore only available for periods to April 1998.** For assets acquired before 1 April 1998 the frozen allowance is deducted in arriving at the amount of the chargeable gains which make up the taxable amount on which taper relief may be due. Indexation allowance is explained in Appendix 2.

Indexation allowance does not apply to periods after 5 April 1998. You do not have to calculate any indexation allowance for assets acquired after 31 March 1998.

Section 5 *Reliefs (Other Than Taper Relief)*

Reliefs from CGT are given in different ways to meet different purposes. Some reliefs are given automatically and so do not require a claim, others are given only if claimed. Some reduce the amount of chargeable gain before taper relief is applied; others simply defer the charge to a later date. The most common reliefs are introduced briefly below, and are dealt with more fully in our Help Sheets.

Taper relief, which reduces the taxable amount after other reliefs and deductions have been given, is explained separately in Section 6.

Your home

In most cases you will not pay tax on any gain you make when you dispose of your only home. Similarly, if there is a loss on the disposal the loss will not be allowable. However, tax may be due if, for example

- the garden or grounds of your home including the site of the house exceed half a hectare (one and a quarter acres) and some or all of that excess does not qualify

- part or all of your home has at some time not been used as your home; for example, if it has been let or used for business.

Relief may also be given on the disposal of a home which was provided to a dependent relative and which was occupied by the relative as his or her sole residence before 6 April 1988.

See Help Sheet IR283: Private residence relief.

Other reliefs

Roll-over relief allows gains on the disposal of business assets to be deferred if replacement assets are acquired. See Help Sheet IR290: Business asset roll-over relief.

Retirement relief relieves gains made by an individual aged 50 or over, or who retired before that age due to ill-health, on the disposal of his or her business or shares in a personal trading company. A claim must be made for ill-health retirement relief. The relief is being phased out by a gradual reduction of the thresholds for the relief, over the period from 1999-2000 to 2002-03. It will cease to apply to gains arising after 5 April 2003. See Help Sheet IR289: Retirement relief and Capital Gains Tax.

Gifts hold-over relief allows gains to be deferred when certain assets are given away or are sold 'otherwise than by a bargain made at arm's length'. See Help Sheet IR295: Relief for gifts and similar transactions.

Halving relief relieves half of a gain arising from a gain deferred from before April 1988. See Help Sheet IR280: Rebasing assets held at March 1982.

Enterprise Investment Scheme (EIS). EIS deferral relief allows gains to be deferred when you subscribe for shares in qualifying companies. Capital gains arising on the disposal of the shares on which you have received EIS income tax relief are exempt if you meet the qualifying conditions. (See booklet IR137: The Enterprise Investment Scheme).

Venture Capital Trusts (VCTs). VCT deferral relief allows gains to be deferred when you subscribe for shares in a VCT and receive income tax relief. Capital gains arising on the disposal of your VCT shares are exempt if you meet the qualifying conditions. (See Help Sheet IR298: Venture Capital Trusts and Capital Gains Tax).

Business transfer relief defers a gain made when a business is transferred to a company in exchange for shares. This relief is given automatically.

Unremittable gains. If an asset situated outside the UK is disposed of and the gains cannot be transferred to the UK because of exchange controls or a shortage of foreign currency in the overseas country, a claim can be made that the unremittable gain should not be taxable, until the exchange controls are lifted.

Section 6 *Taper Relief*

Taper relief was introduced in the Finance Act 1998 to replace indexation allowance for periods after 5 April 1998.

Taper relief reduces the amount of gain chargeable to tax, according to the number of whole years the asset has been held **after 5 April 1998**. The greater the number of years you have held the asset the smaller the percentage of gain which is chargeable to tax. The amount of the reduction depends on whether the asset is a business asset or a non-business asset.

The percentage of gain that remains chargeable for business and non-business assets, according to the length of the 'qualifying holding period', is set out in the following table

Gains on disposals of business assets		Gains on disposals of non-business assets	
Number of whole years in qualifying period	Percentage of gain chargeable period	Number of whole years in qualifying	Percentage of gain chargeable
1	92.5	1	100
2	85	2	100
3	77.5	3	95
4	70	4	90
5	62.5	5	85
6	55	6	80
7	47.5	7	75
8	40	8	70
9	32.5	9	65
10 or more	25	10 or more	60

What is meant by 'qualifying holding period'?

This is the time from 6 April 1998 or the date you first acquired the asset to the date that you disposed of it. **For assets acquired before 6 April 1998 you only count the holding period from that date**.

What is a whole year for taper relief?

A whole year is any continuous period of 12 months. Fractions of a year are ignored. An asset which is disposed of on the anniversary of its acquisition is accepted as having been held for a whole year. A whole year does not have to coincide with a tax year, although it will do so for assets acquired prior to 6 April 1998, because only the holding period from that date is counted.

Example 7
You acquire a business asset on 1 June 1998 and sell it on 1 July 2004.
The ownership period is 6 years 31 days.
There are six whole years in the qualifying holding period.
The percentage of gain chargeable for a business asset held for 6 whole years is 55%.

Example 8
You acquire some shares as a non-business asset on 15 November 1998.
You sell them on 1 December 2000.
The ownership period is 2 years 17 days.
There are 2 whole years in the qualifying holding period.
No taper relief is available in this case.

Bonus year for assets acquired before 17 March

Assets which were acquired before 17 March 1998 (the date of the 1998 Budget) and still held at 6 April 1998 qualify for an additional one year. So for these assets you add one year to the period for which they were actually held after 5 April 1998 to establish their qualifying holding period for taper relief purposes.

Example 9
A non-business asset acquired on 6 April 1996 is sold on 5 May 2000.
As the asset was acquired before 17 March 1998 and was still held at 6 April 1998 the bonus year will be available.
The actual period of ownership after 5 April 1998 is 2 years 30 days.
There are 3 whole years in the qualifying holding period (2 years plus bonus year).
The percentage of gain chargeable for a non-business asset held for 3 whole years is 95%.

What is the date of disposal or acquisition?

If the disposal (or acquisition) is under a contract, the date of disposal (or acquisition) is usually the date of the contract. In some cases a contract may be conditional, that is, it contains one or more conditions which have to be met before it becomes binding. If so, the date of disposal (or acquisition) is the date on which the last of the conditions is met.

There are exceptions, for example, where a capital sum is received from ownership of an asset. There the date of disposal is the date on which the capital sum is received. In other cases, such as gifts, the date of disposal (or acquisition) is the date on which the transaction took effect.

How is enhancement expenditure treated for taper purposes?

Where expenditure is made to enhance the value of an asset, the date of the enhancement expenditure is not relevant for the purposes of taper relief. Taper relief is given on the whole gain by reference to the period from the day the asset was acquired, or from 6 April 1998 if later.

How are rights issues, bonus issues and scrip dividends treated for taper purposes?

Further shares or securities in a company may be issued to existing shareholders under a **rights or bonus issue**. Under a rights issue shareholders

have to pay for the new shares. Under a bonus issue (sometimes described as a scrip or capitalisation issue) the new shares or securities are issued free. For CGT purposes both these types of issues are treated as a reorganisation of a company's share capital and not a new acquisition of shares. The qualifying period for taper relief purposes therefore commences on the date of acquisition of the original shares or securities to which the rights or bonus issue relates and **not** the date that the new shares were issued. Where the original shares or securities have been acquired on different dates the new shares will need to be apportioned to the respective acquisitions on a pro rata basis.

A **scrip dividend** (sometimes described as a stock dividend) is a dividend paid by a company in the form of additional shares as an alternative to a cash dividend. Shares or securities acquired in this way after 5 April 1998 are treated as a new acquisition. The qualifying period for taper relief purposes therefore commences on the date the scrip dividend shares or securities are acquired.

Transfers to spouses

Where an asset which has been transferred from one spouse to the other is later sold, the qualifying holding period for taper relief purposes is the combined period of ownership of both spouses after 5 April 1998. The bonus year may be added where the asset was acquired by either spouse before 17 March 1998.

Example 10
You acquired a non-business asset on 1 March 1998.
You transferred the asset to your spouse on 31 March 1999.
Your spouse sells the asset on 16 June 2001.
There are 4 whole years in the qualifying holding period, being the combined period of 3 whole years for which you and your spouse held the asset after 5 April 1998 plus the bonus year.

What is a business asset?

A business asset is

- an asset (other than shares) which is used for the purpose of a trade, profession or vocation carried on by you (either alone or in partnership) or by your qualifying company;

- an asset held for the purpose of a qualifying office or employment with a trading employer to which you are required to devote substantially the whole of your time;

- shares in a qualifying company held by you.

A qualifying company is a trading company (or the holding company of a trading group) in which you hold shares which entitle you to exercise at least 25% of the voting rights in that company, or 5% of the voting rights if you are also a full-time working officer or employee of that company (or group).

Business asset taper relief may also be available in certain circumstances where the business asset is owned by trustees of a settlement or a deceased individual's personal representatives.

For more detailed information on business asset taper relief, see Help Sheet IR 279: Taper Relief.

What if an asset has been used only partly as a business asset or for only part of the time as a business asset?

Where an asset has been used partly as a business asset and partly as a non-business asset throughout its period of ownership after 5 April 1998, or during the last ten years of its period of ownership, whichever is the shorter, the gain on the disposal of the asset will be apportioned pro rata. Part of the gain will qualify for the business asset taper over the whole period of ownership and the other part for the non-business taper over the whole period of ownership. See Help Sheet IR 279: Taper Relief.

How is taper relief allowed?

Taper relief is applied to the net chargeable gains **after** the deduction of any losses or other reliefs and **before** the deduction of the annual exempt amount (see Section 7) .

Section 7 Calculating The Tax Due

The first step you need to take is to compute your chargeable gains and allowable losses for the tax year, taking account of any indexation allowance for periods up to 5 April 1998, as explained in Section 4.

What you do next depends whether you have any allowable losses for the year or brought forward from earlier years (see Section 3).

If you do not have any allowable losses

You simply reduce the amount of each chargeable gain made in the tax year by applying the relevant taper percentage to each gain and deducting the annual exempt amount[1] from the total tapered gains. This will tell you the amount on which you are liable to pay CGT.

Example 11

You acquire a non-business asset on 1 June 1999 for £15,000. You sell the asset on 1 July 2005 for £25,000.
Your untapered chargeable gain is therefore £10,000.
You have no other chargeable gains or allowable losses in the tax year 2005-06.
There are 6 whole years in your qualifying holding period for taper relief purposes.
The taper percentage of gain chargeable for a non-business asset held for 6 years is 80%.

The amount liable to CGT is computed as follows

Chargeable gain £10,000 x 80%	= £8,000
Less annual exempt amount	£6,800
Amount liable to CGT	£1,200

Example 12

You acquired a business asset on 10 July 1985 for £10,000 (including incidental costs).
You sell the asset on 8 September 2002 for £100,000.
The asset has been a business asset throughout the whole period of ownership.
The chargeable gain (after indexation allowance of £7,070 for the period to April 1998) is £82,930.
There are 5 whole years in your qualifying holding period for taper relief purposes (4 whole years plus the bonus year).
The taper relief percentage of gain chargeable for a business asset held for 5 years is 62.5%.

The amount liable to CGT is computed as follows

Chargeable gain £82,930 x 62.5%	= £51,831
Less annual exempt amount	£6,800
Amount liable to CGT	£45,031

[1] In the examples in this section, an annual exempt amount of £6,800 (the annual exempt amount at the time of publication of this booklet) is used for illustrative purposes whatever the tax year of assessment.

Example 13
You make the following untapered chargeable gains in a tax year, as follows

Asset 1: Chargeable gain £3,400. There are 5 whole years in the qualifying holding period and the asset was held as a non-business asset throughout. The taper percentage of gain chargeable for a non-business asset held for 5 years is 85%.

Asset 2: Chargeable gain £4,100. There are 8 whole years in the qualifying holding period and the asset was held as a non-business asset throughout. The taper percentage of gain chargeable for a non-business asset held for 8 years is 70%.

The amount liable to CGT is computed as follows

Asset 1: Chargeable gain £3,400 x 85%	= £2,890
Asset 2: Chargeable gain £4,100 x 70%	= £2,870
Total tapered chargeable gains	£5,760
Less annual exempt amount	£6,800
Amount liable to CGT	NIL

After taper relief there is no CGT to pay.

If you have allowable losses

The general rules for allowing losses of the year and carrying forward losses to set against gains in future years are explained in Section 3 under *'How is a loss allowed?'*. You must follow these rules first.

If, having deducted any allowable losses of the year and losses brought forward from earlier years, the total of net untapered chargeable gains for the year is **at or below** the level of the annual exempt amount for that year, you do not have any CGT to pay and there is no taper relief to be calculated. If it **exceeds** the annual exempt amount you then compute the amount of taper relief. You do this by deducting the losses from individual chargeable gains in turn, starting with those where there is no taper relief, and going on to those with the next lowest amount of taper relief (that is to say, the gains with the highest taper percentage of gain chargeable), and so on. You then apply the appropriate taper percentage to each chargeable gain after the deduction of losses. This process enables you to make maximum use of taper relief on the gains that remain chargeable. You then deduct the annual exempt amount from the amount of net tapered gains to arrive at the amount on which you are liable to pay CGT.

Example 14 - one gain, one loss

You make an untapered chargeable gain on a non-business asset of £10,000. There are 6 whole years in your qualifying holding period for taper relief purposes. The taper percentage of gain chargeable for a non-business asset held for 6 years is 80%.

In the same tax year you have an allowable loss of £1,000 (it is irrelevant whether the loss arises on a business or non-business asset or how long the asset has been held).

You set your allowable loss against your untapered chargeable gain as follows

Chargeable gain	£10,000
Less allowable loss	£1,000
Net chargeable gain	£9,000

As £9,000 exceeds the annual exempt amount of £6,800 you then compute the amount of taper relief and your CGT liability as follows

Apply taper relief reduction £9,000 x 80% =	£7,200
Less annual exempt amount	£6,800
Amount liable to CGT	£400

Example 15 - more than one gain, loss fully used against one gain.

You make untapered chargeable gains on two assets and a loss on a third asset in the same year, as follows

Asset 1: Untapered chargeable gain £10,000. There are 4 whole years in the qualifying holding period. The asset was held as a business asset throughout. The taper relief percentage applicable is 70%.

Asset 2: Untapered chargeable gain of £8,000. There are 7 whole years in the qualifying holding period. The asset has been held as a non-business asset throughout. The taper relief percentage applicable is 75%.

Asset 3: Loss of £5,000.

You first establish whether you have to compute any taper relief by setting your losses against your untapered chargeable gains as follows

Continued on next page

Total chargeable gains	= £18,000
Less allowable losses	£5,000
Net untapered gains	£13,000

As £13,000 exceeds the annual exempt amount of £6,800 you then compute the amount of taper relief by setting the allowable loss against chargeable gains in the most favourable way. In this case you set the loss of £5,000 wholly against your untapered chargeable gain of £8,000 on asset 2 since this qualifies for a taper reduction to only 75% of the gain compared to 70% for asset 1.

So you then compute your taper relief and CGT liability as follows

Asset 1 £10,000 x 70%	= £7,000
Asset 2 Balance of gain £3,000 (£8,000 minus £5,000) x 75%	= £2,250
Total net tapered gains	£9,250
Less annual exempt amount	£6,800
Amount liable to CGT	£2,450

Example 16 - multiple gains, multiple losses

You make untapered chargeable gains in the tax year and have allowable losses, as follows

Asset 1: Untapered chargeable gain £10,500. There are 8 whole years in the qualifying holding period. The asset has been owned as a non-business asset throughout. The taper relief percentage applicable is 70%.

Asset 2: Untapered chargeable gain £8,800. There are 7 whole years in the qualifying holding period. The asset has been used as a business asset throughout. The taper relief percentage applicable is 47.5%.

Asset 3 Untapered chargeable gain £3,300. There are 2 whole years in the qualifying holding period. The asset has been owned as a non-business asset throughout. No taper reduction is available because the asset has been held for less than 3 whole years.

Asset 4: Allowable loss £8,000.

You also have losses brought forward from earlier years of £3,000.

Continued on next page

You first establish whether you have to compute any taper relief by setting your losses against your untapered gains as follows

Total chargeable gains (before taper)	=	£22,600
Deduct: allowable losses (£8,000 plus £3,000)		£11,000
Net untapered gains		£11,600

As £11,600 exceeds the annual exempt amount of £6,800, you then compute the amount of taper relief by setting the allowable losses against chargeable gains in the most favourable way, as follows

£3,300 of the allowable losses is set against the gain on asset 3 (no taper relief available).
The remaining £7,700 is set against the gain on asset 1.

Finally you compute your taper relief and CGT liability as follows

Asset 1: balance of gain, £2,800 (10,500 minus £7,700) x 70%	=	£1,960
Asset 2: £8,800 x 47.5%	=	£4,180
Asset 3: - gain eliminated by losses.	=	NIL
Total net tapered gains		£6,140
Less annual exempt amount		£6,800
Amount liable to CGT		NIL

Taper relief has brought the net gains down below the level of the annual exempt amount and there is no CGT to pay. There are no losses to carry forward.

Calculation of the tax due

The net gains (after deducting the annual exempt amount) are treated as the 'top slice' of income and charged to CGT, as part of your self assessment, at income tax rates.

Unused income tax reliefs and allowances cannot be set against chargeable gains.

Example 17

Tax year 1998-99: threshold for higher rate tax	£27,100
Individual's taxable income (after reliefs and allowances)	£22,000
Chargeable gains (after annual exempt amount)	£10,000

Continued on next page

The CGT is worked out as follows

£5,100 x 23% (unused basic rate band, i.e. £27,100 less £22,000)	£1,173
£4,900 x 40% (higher rate, i.e. balance of gains not charged at the basic rate, £10,000 less £5,100)	£1,960
CGT	£3,133

These rules are modified if you have no income charged at the basic rate. Ask your Tax Enquiry Centre or Tax Office for details.

Credit for foreign tax

If gains chargeable to CGT have also been charged to tax in another country, relief may be claimed by way of credit for the foreign tax paid ('tax credit relief'). Tax credit relief is deducted from that part of the CGT liability that relates to the gain on which the foreign tax has been paid. Ask your tax adviser, Tax Enquiry Centre or Tax Office for further details.

Appendix 1 Post-transaction Valuation Checks For Capital Gains Tax

Introduction

When working out your CGT liability, you sometimes have to value assets. If you use such valuations, there is a free service from the Inland Revenue to help you complete your Self Assessment tax return. You may ask your Tax Office to check valuations after you have made the disposal but before you make your return.

If we agree your valuations we will not challenge your use of those valuations in your tax return unless there are any important facts affecting the valuations that you have not told us about. Agreement to your valuations does not necessarily mean that we agree the gain or loss. We will not consider the other figures you have used until you make your return.

If we cannot agree your valuations we will suggest alternatives. We use specialist valuers to value some assets, mainly shares, land, goodwill and works of art. You will also be able to discuss your valuations with our valuers. You must file your tax return by the filing date printed on the tax return even if we have not been able to agree your valuations or to suggest alternatives. You must also tell us in your return about any valuations that we have checked but been unable to agree.

If we cannot reach agreement after discussion on any valuations you use in your tax return, you will be able to appeal to an independent tribunal.

How do you get your valuations checked?

If you want us to check your valuations, ask your Tax Office or any Tax Enquiry Centre for one copy of Form CG34 for each valuation you want us to check. Return the completed form to your Tax Office together with the information and documents requested on the form. You can also attach any other information that will help us understand your valuations.

If you do not provide all of the information requested on the form, your Tax Office may be unable to check your valuations. If you have difficulty getting all of this information, or you are not sure how to prepare a CGT computation, ask your Tax Office for help.

How long will it take?

Your Tax Office, or our specialist valuers, will contact you as soon as possible after you make your application. Valuation is an exercise of judgement that can be a difficult and lengthy process, particularly if discussion is necessary. We are more likely to be able to reach agreement with you before you need to make your return if you contact us as soon as possible after you have made a disposal.

We expect that it will take a minimum of 56 days to agree your valuations or to provide you with an alternative. In more complex cases it may take longer. In a few very complex cases we may not be able to provide you with any alternative valuation before the filing date for your return. If you want to use this service you should send any Forms CG34 to your Tax Office at least 2 months before you need to make your return.

Further information

Further information about the operation of this scheme can be obtained from your Tax Office or from your nearest Tax Enquiry Centre.

Appendix 2 Indexation Allowance

Indexation allowance

Indexation allowance is an allowance which adjusts gains for the effects of inflation up to April 1998. It does this by giving an allowance equal to the amount by which the cost of the asset would have risen on a monthly basis if its value had kept pace with inflation, as measured by the increase in the Retail Prices Index (RPI), since the asset was acquired. No allowance is due for periods after April 1998. So assets acquired on or after 1 April 1998 do not qualify for indexation allowance.

This is a complex area. If you have difficulty, you can ask your Tax Enquiry Centre or Tax Office for help. You may also ask to see a copy of the Inland Revenue Capital Gains Manual, which explains the rules for indexation allowance in detail.

How is indexation allowance calculated?

Indexation allowance is based on the increase in the RPI between

- the month in which the asset was acquired or, for subsequent expenditure, the month in which the expenditure on the asset was incurred, or 31 March 1982 if that is later, **and**

- the month in which the asset was disposed of, or April 1998, if that is earlier.

This booklet only explains the position for assets disposed of after 5 April 1998. For assets disposed of before that date please ask your Tax Enquiry Centre or Tax Office for help.

In order to work out your indexation allowance, you need to look at the table at the end of this Appendix. This gives details of the 'indexation factor' to be used in calculating the rise in the RPI between the month in which you incurred the expenditure on the asset and April 1998. The table shows a figure next to every month between March 1982, when indexation allowance was introduced, and March 1998. Take the indexation factor next to the month in which you incurred the expenditure and multiply this by the expenditure. This gives the amount of the indexation allowance which can be deducted in computing the chargeable gain.

Example 18
You bought an asset in March 1992 for £1,000, and sold it in June 1999 for £5,000. The indexation factor to be used for an asset acquired in March 1992 is 0.189. Multiplying this by £1,000 gives an indexation allowance of £189. The indexation allowance is then added to the acquisition cost of £1,000, giving an allowable figure of £1,189. This is then deducted from the proceeds of £5,000 to produce a chargeable gain of £3,811.

Remember that taper relief may also be available for the holding period after 5 April 1998 (see Section 6).

What about losses?

Indexation allowance can reduce or eliminate gains which are chargeable to tax, but for disposals on or after 30 November 1993, you cannot use indexation allowance to turn a gain into a loss or to increase your loss.

Example 19
You sell an asset in May 1999 for £20,000. It cost you £30,000 in November 1993. You have made a loss of £10,000. You cannot deduct any indexation allowance because the allowance cannot be used to increase the amount of a loss.

Which costs attract indexation allowance?

You can deduct indexation allowance from your gain if you have any of the following types of expenditure

- the cost of an asset
- the incidental cost of acquiring an asset
- the cost of creating an asset if it was not acquired.

Any of these types of expenditure is treated as having been made when the asset was acquired or created.

Example 20
You acquire an asset under a contract made in March 1993.

Payment does not have to be made until June 1993. When you calculate your indexation allowance you should treat the expenditure as if it had been made in March 1993.

You can also deduct indexation allowance if you have either of the following types of expenditure

- expenditure on enhancing the asset, **or**
- expenditure on establishing, preserving or defending your title to the asset.

Either of these types of expenditure is treated as having been made when that expenditure became due and payable.

Example 21
In May 1988 you entered into a contract with a builder to add an extension to a property you own. The cost was due and payable when the work was completed in September 1988. When you calculate the indexation allowance you should treat the expenditure as incurred in September 1988.

What about part disposals?

If you make a disposal of part of an asset you own, you will only be able to deduct part of the costs of that asset in working out your gain or loss. See 'What are part disposals' in Section 4 'Calculating chargeable gains and allowable losses'.

Your indexation factor is multiplied by the part of the cost that can be deducted - not by the whole of the cost of the asset.

What about assets held at 31 March 1982?

If you

- owned an asset at 31 March 1982, **or**
- you acquired an asset from your spouse in a no gain/no loss transfer after that date, and your spouse held the asset at 31 March 1982

the rules are modified for that asset.

Your indexation allowance is calculated on the **greater** of

- the total cost you or your spouse incurred up to 31 March 1982 on that asset (including its initial acquisition price), **or**
- the value of that asset at 31 March 1982 **unless**

you, or your spouse, have made an election for rebasing to 31 March 1982 to apply to all your disposals. If you have made a rebasing election, indexation allowance is calculated on the value of the asset at 31 March 1982. In both cases the indexation allowance is calculated by reference to inflation since March 1982.

You calculate separately indexation allowances on any relevant expenditure incurred after 31 March 1982 that is allowable in working out your gains.

You can find out about rebasing to 31 March 1982 in Help Sheet IR280: Rebasing assets held at 31 March 1982.

Example 22
You bought an asset in 1979 for £20,000. At 31 March 1982 it was worth £15,000. You should calculate your indexation allowance by multiplying £20,000 by the indexation factor unless you have made a rebasing election; in which case you should multiply £15,000 by the indexation factor.

What about disposals of pooled shares or securities?

Shares of the same class in the same company acquired before 6 April 1998 are treated as a single asset, the share pool.

The rules for indexation allowance are modified to cope with share pooling. See Help Sheet IR284: Shares and Capital Gains Tax.

Indexation allowance for disposals after 31 March 1998

You work out the indexation allowance by multiplying the amount you spent by the indexation factor. All of the indexation factors you will need are included in the table below.

For example. If you incurred expenditure in June 1989, look across the Month columns to find June and then look down the column until you find the row for 1989. Your indexation factor for June 1989 will be 0.409.

	Month											
Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
1982			1.047	1.006	0.992	0.987	0.986	0.985	0.987	0.977	0.967	0.971
1983	0.968	0.960	0.956	0.929	0.921	0.917	0.906	0.898	0.889	0.883	0.876	0.871
1984	0.872	0.865	0.859	0.834	0.828	0.823	0.825	0.808	0.804	0.793	0.788	0.789
1985	0.783	0.769	0.752	0.716	0.708	0.704	0.707	0.703	0.704	0.701	0.695	0.693
1986	0.689	0.683	0.681	0.665	0.662	0.663	0.667	0.662	0.654	0.652	0.638	0.632
1987	0.626	0.620	0.616	0.597	0.596	0.596	0.597	0.593	0.588	0.580	0.573	0.574
1988	0.574	0.568	0.562	0.537	0.531	0.525	0.524	0.507	0.500	0.485	0.478	0.474
1989	0.465	0.454	0.448	0.423	0.414	0.409	0.408	0.404	0.395	0.384	0.372	0.369
1990	0.361	0.353	0.339	0.300	0.288	0.283	0.282	0.269	0.258	0.248	0.251	0.252
1991	0.249	0.242	0.237	0.222	0.218	0.213	0.215	0.213	0.208	0.204	0.199	0.198
1992	0.199	0.193	0.189	0.171	0.167	0.167	0.171	0.171	0.166	0.162	0.164	0.168
1993	0.179	0.171	0.167	0.156	0.152	0.153	0.156	0.151	0.146	0.147	0.148	0.146
1994	0.151	0.144	0.141	0.128	0.124	0.124	0.129	0.124	0.121	0.120	0.119	0.114
1995	0.114	0.107	0.102	0.091	0.087	0.085	0.091	0.085	0.080	0.085	0.085	0.079
1996	0.083	0.078	0.073	0.066	0.063	0.063	0.067	0.062	0.057	0.057	0.057	0.053
1997	0.053	0.049	0.046	0.040	0.036	0.032	0.032	0.026	0.021	0.019	0.019	0.016
1998	0.019	0.014	0.011									

The Taxpayer's Charter

You are entitled to expect the Inland Revenue

To be fair

- By settling your tax affairs impartially
- By expecting you to pay only what is due under the law
- By treating everyone with equal fairness

To help you

- To get your tax affairs right
- To understand your rights and obligations
- By providing clear leaflets and forms
- By giving you information and assistance at our enquiry offices
- By being courteous at all times

To provide an efficient service

- By settling your tax affairs promptly and accurately
- By keeping your private affairs strictly confidential
- By using the information you give us only as allowed by the law
- By keeping to a minimum your costs of complying with the law
- By keeping our costs down

To be accountable for what we do

- By setting standards for ourselves and publishing how well we live up to them

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If you are not satisfied

- We will tell you exactly how to complain
- You can ask for your tax affairs to be looked at again
- You can appeal to an independent tribunal
- Your MP can refer your complaint to the Ombudsman

In return, we need you

- To be honest
- To give us accurate information
- To pay your tax on time

These notes are for guidance only and reflect the tax position at the time of writing.
They do not affect any right of appeal.

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- writing to
  PO Box 37
  St Austell
  Cornwall PL25 5YN

Helpsheets that give more detailed information about particular tax rules for capital gains tax (CGT) are listed below.

IR279	Taper relief
IR280	Rebasing assets held at 31 March 1982
IR281	Husband and wife, divorce and separation
IR282	Death, personal representatives and legatees
IR283	Private residence relief
IR284	Shares and Capital Gains Tax
IR285	Share reorganisations, company takeovers and Capital Gains Tax
IR286	Income tax losses for shares you have subscribed for in unlisted trading companies
IR287	Employee share schemes and Capital Gains Tax
IR288	Partnerships and Capital Gains Tax
IR289	Retirement relief and Capital Gains Tax
IR290	Business asset roll-over relief
IR291	Reinvestment relief - shares acquired before 6 April 1998
IR292	Land and lease, the valuation of land and Capital Gains Tax
IR293	Chattels and Capital Gains Tax
IR294	Trusts and Capital Gains Tax
IR295	Relief for gifts and similar transactions
IR296	Debts and Capital Gains Tax
IR297	Enterprise Investment Scheme and Capital Gains Tax
IR298	Venture Capital Trusts and Capital Gains Tax
IR301	Capital gains on benefits from non-resident and dual resident trusts

We have also produced the following leaflets on Self Assessment.

SA/BK3	Self Assessment. A guide for keeping records for the self-employed
SA/BK4	Self Assessment. A general guide to keeping records
SA/BK5	Self Assessment. Electronic version of the tax return
SA/BK6	Self Assessment. Penalties for late tax returns
SA/BK7	Self Assessment. Surcharge for late payment of tax
SA/BK8	Self Assessment. Your guide

When our offices are closed, you can get general advice on Self Assessment by calling our Helpline, in the evening or at weekends, on **0645 000444**.

Other leaflets mentioned in the text are

IR20	Residents and non-residents. Liability to tax in the United Kingdom
IR137	The Enterprise Investment Scheme

Our leaflet IR120 'You and the Inland Revenue' tells you more about the standard of service you can expect and the steps to take if you want to comment on the service you receive, or complain about the way we have handled your tax affairs.

Our IR List 'Catalogue of leaflets and booklets' gives further information about our publications, most of which you can get from any Tax Enquiry Centre or Tax Office. Addresses are in your local phone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm, Monday to Friday, and some are also open outside these hours.

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